

SENATE FINANCE COMMITTEE

March 26, 2021

9:01 a.m.

[9:01:43 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:01 a.m.

MEMBERS PRESENT

Senator Click Bishop, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Lyman Hoffman
Senator Donny Olson
Senator Natasha von Imhof
Senator Bill Wielechowski
Senator David Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Neil Steininger, Director, Office of Management and Budget, Office of the Governor; Paloma Harbour, Fiscal Management Practices Analyst, Office of Management and Budget, Office of the Governor; Alexei Painter, Director, Legislative Finance Division; Senator Mia Costello.

SUMMARY

^COVID-19 FEDERAL FUNDING UPDATE

[9:03:22 AM](#)

Co-Chair Stedman remarked that the funds might cause an appearance of no budget deficit, but stressed that it was not the case.

[9:04:10 AM](#)

NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, introduced himself.

PALOMA HARBOUR, FISCAL MANAGEMENT PRACTICES ANALYST, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, introduced herself.

Mr. Steininger discussed the presentation, "State of Alaska Office of Management and Budget (OMB); Senate Finance COVID-19 Relief Funding Overview" (copy on file). He looked at slide 2, "Federal Fiscal Response." He remarked that there were six bills passed at the federal level, which included COVID-19 relief which came to Alaska. He noted that the largest financial relief package from the federal government was the Coronavirus Aid, Relief, and Economic Security (CARES) Act funding, which included the \$1.2 billion Coronavirus Relief Fund. He noted that the items had all been accommodated through various appropriations in the state budget and were currently actively executed upon. He further detailed the slide.

Co-Chair Stedman shared that the discussion referenced Attachment 1 (copy on file).

Mr. Steininger continued to explain the details of the slide.

Ms. Harbour highlighted slide 3, "Spring 2020 Federal Relied: Coronavirus Relief Funds (CRF)":

The CARES Act required that the payments from the Coronavirus Relief Fund (CRF) only be used to cover expenses that --

1. are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID 19);
 2. were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
 3. were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020
- The CRRSA Act extended to period for incurring costs to December 31, 2021

Spring 2020 Federal Relief: Coronavirus Relief Funds (CRF)

9:10:47 AM

Senator von Imhof looked at Attachment 1, and remarked that the yellow portion had a key which said, "requires appropriation." She wondered whether the list of programs required appropriation from the legislature.

Ms. Harbour replied in the affirmative.

Senator von Imhof noted that the Childcare Development Fund had \$28 million, and wondered whether that money would go to the general fund or whether it would go into the Department of Health and Social Services (DHSS).

Ms. Harbour replied that the appropriations were usually made in the department in the program.

Senator von Imhof surmised that the federal funds would go straight to DHSS, which bypassed the general fund or legislative appropriation. She wondered whether she could dictate where \$28 million went in specific grants.

Ms. Harbour explained the legislature could determine whether DHSS could accept that funding. She stressed that if the legislature did not give the appropriation, then DHSS could not send out the grants. She stressed that once the department accepts the money, it must be spent the way that the federal government had outlined its intention.

Senator von Imhof stressed that the job of the legislature was whether or not to accept the funds.

Ms. Harbour agreed.

Senator von Imhof noted that there were a few "buckets" that allowed for some leeway, but for the most part the legislature could only decide whether or not to accept the federal funds.

Mr. Steininger agreed.

9:14:20 AM

Ms. Harbour pointed to slide 4, "Spring 2020 Federal Relief: Coronavirus Relief Funds (CRF)." She explained that the slide showed the list of programs that could receive

the funds. She stressed that most of the funding had been allocated to specific purposes, and was actively spent. She noted that there was approximately \$45 million that had not yet been allocated, because the money was held in reserve for potential surge in cases or other COVID-19 needs. She explained that the money could also be used to offset state expenses for COVID-19 related items.

9:15:09 AM

Co-Chair Stedman asked where the \$45 million was located within the allocation requirement outlined by the federal government.

Ms. Harbour explained that the money was from the \$1.25 billion, which was assigned, "Other COVID-19 Costs through DHSS, to be determined."

Senator Hoffman surmised that the funds were given to the state for distribution. He queried the categories of the COVID-19 Relief Funds in the state.

Ms. Harbour assumed that the question was about the money that went directly to individuals and businesses.

Senator Hoffman agreed, and asked which categories the money was located in.

Ms. Harbour looked at Attachment 1, and explained that there was money that went to tribal agencies. She looked at page 3, which showed money that went to individuals through unemployment compensation, small business programs, some employment enhancement programs, and FEMA. She stressed that the numbers had not been updated with the funds that were not a part of the CARES funding.

Senator Wielechowski queried the status of the audit that was being conducted on the expenditure of the fund thus far.

Ms. Harbour clarified that it was a desk review, so the treasury was reviewing the documentation in support of the reports. She shared that there had already been an entrance conference with the treasury, and they had sent their first document request. The state had already responded to the request on the most recent Monday.

Co-Chair Stedman asked for explanation of the review process, and whether there was flexibility in the specification of appropriation.

Mr. Steininger explained that, because the state had been selected early for desk review, there could be a possibility for a correction by reallocated the dollars to another eligible cost. He remarked that the slide did not show that there was well over \$100 million that was eligible that agencies had incurred to respond to coronavirus. He stressed that, if there were small pots of ineligible cost, which allowed for adjustments to ensure that the money would not need to be returned to the federal government.

9:20:24 AM

Senator Hoffman wondered whether the administration received authorization from OMB, and ratified from the legislature for the unallocated funds.

Mr. Steininger replied in the affirmative, and explained that all of the \$1.25 billion had been authorized either through the RPL process or through appropriation to DHSS.

Senator Olson wondered whether there was a penalty associated with the possibility of the money being spent in an unapproved manner.

Mr. Steininger replied that there was language attached to the funds that ensured that, should they spend the funds inappropriately, the recipient was responsible for any payback to the federal government.

Ms. Harbour looked at Attachment 2 (copy on file). She stated that it was more details of how the funding worked through DHSS for specific processes.

Co-Chair Stedman felt that there had been a misrepresentation recently, which could have been perceived as the information not being public. He hoped that Attachment 2 would ease some of the concern about transparency.

Ms. Harbour addressed slide 5, "State Agency COVID-19 Expenditures by Type":

Funding Sources:

- \$1.35 billion Federal
- \$24.8 million UGF
- \$1.5 million DGF
- \$87.6 million Other
- \$14.7 million TBD

Co-Chair Stedman asked about the flexibility of the grants.

Ms. Harbour explained that most of the grants were the federal funding which had already been distributed. She pointed to the Community Relief Fund and other federal grant program funding. She explained that \$1.35 billion in federal funding had been received to cover the costs, and approximately \$1.2 had been distributed as grants.

Senator von Imhof stressed that the difficult task was determining whether the funds helped or not, and how the agencies were fairing. She wondered whether anyone was tracking that impact.

Ms. Harbour replied that there were monthly reports from the agencies on their expenditures, lost revenue impacts from COVID-19, and attempting to track the areas of specific concern.

[9:24:46 AM](#)

Mr. Steininger looked at slide 6, "Spring 2021 Federal Relief: COVID-19 State and Local Fiscal Relief Funds":

The American Rescue Plan specified that these funds can be used to cover expenses

- A. to respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID 19) or its negative economic impacts;
- B. to respond to workers performing essential work during the COVID 19 public health emergency by providing premium pay to eligible workers performing such essential work;
- C. for the provision of government services to the extent of the reduction in revenue due to the COVID 19 public health emergency relative to revenues collected in the most recent full fiscal year; and
- D. to make necessary investments in water, sewer, or broadband infrastructure.

Restrictions include

- A. direct or indirect offsets to a reduction in net tax revenue resulting from changing law, regulation, or administrative interpretation during the covered period that reduces or delays the imposition of any tax or tax increase;
- B. deposits into any pension fund.

Mr. Steininger looked at an attachment which showed a 25-page letter which the state contributed from the National Governor's Association to the treasury outlining questions about the guidance. He noted that there were many questions ranging from specific details or broad questions because there was uncertainty about how the treasury would define some of the items.

Mr. Steininger continued to address slide 6, and looked at Attachment 3, (copy on file), which detailed the dollar values associated within. He stated that the first page showed a high-level breakdown of the money coming in through the American Rescue Plan. He explained that the state of Alaska had a little over \$1 billion.

Co-Chair Stedman noted the issues on the bottom of the slide.

Mr. Steininger remarked that one of the areas of restriction was related to things that would offset a reduction in tax revenue. He stressed that it was specific to utilizing the dollars to affect a direct reduction in a tax.

[9:29:57 AM](#)

Co-Chair Stedman noted the large sheet in the packet, "American Rescue Plan for Alaska" (copy on file). He remarked that there had been conversations with OMB to hopefully work together to split the money over years, and ensure that the money would be most useful.

Senator von Imhof remarked that there were different moments of financial distribution with very specific areas that the money should be directed. She wanted to know the end user of distribution, specifically the individual and non-profit that the money would eventually fall.

Co-Chair Stedman remarked that there had been conversations outside of the committee process, and shared that there would be some more meetings to address the economic impact and benefit to help with the allocation questions.

9:35:04 AM

Senator von Imhof felt that there should be more detail considered, such as the amount of received sales tax or balance sheets from entities. She remarked that it was a tough question because it was beyond big picture conversations.

Co-Chair Stedman remarked that the committee needed to understand the impacts in order to avoid inadvertent side effects.

Senator Hoffman stressed that, looking at the larger issue of COVID and safety, the administration needed acknowledgment. He remarked that Alaska led the nation in many categories in COVID response and safety.

Ms. Harbour looked at slide 7, "Housing Relief Details

- CARES Act addressed with an RPL
 - Coronavirus Relief Funds for Housing Assistance \$10 million
- CRRSA Act Emergency Rental Assistance
 - Alaska Housing Finance Corporation \$165 million addressed with an RPL
 - Municipality of Anchorage (MOA) \$35 million AHFC to administer requires additional appropriation
 - Tribal funding \$45 million AHFC to administer requires additional appropriation
- ARP Act requires additional appropriation
 - Emergency Rental Assistance --\$146 million (\$125m AHFC/ \$21m
 - Mortgage Assistance --\$50 million
 - HOME Investment Partnership Act Homeless Funds - -\$5 million
 - Emergency Housing Choice Vouchers to be determined

9:39:48 AM

Co-Chair Stedman queried the legislative actions needed to meet the deadline.

Ms. Harbour replied that the amendment would be submitted shortly, and stressed that it was helpful to know whether there would be acceptance of the funds. She understood that there was not enough time for the legislature to pass an appropriation, but there was authority that could be used to apply for the funds.

Co-Chair Stedman surmised that there was a desire for a verbal agreement to receive the funds.

Ms. Harbour replied in the affirmative.

Mr. Steininger also replied in the affirmative.

Senator Hoffman looked at the three highlighted items, and wondered whether any of those requests would receive additional appropriations. He also asked whether the money would come from the CARES funds.

Mr. Steininger replied that the \$35 million in receipts received by the Municipality of Anchorage (MOA) from the federal government would transfer to the Alaska Housing Finance Corporation (AHFC). He remarked that the appropriation would be for statutory designated program receipt authority for AHFC to collect money from MOA to then expend on their behalf. He stressed that it was not an appropriation for general funds. He remarked that the tribal funding of \$45 million would also be statutory designated program receipts. He explained that the American Rescue Plan (ARP) funding would be a mix of federal receipts for AHFC.

Ms. Harbour addressed slide 8, "Higher Education Relief Details":

- CARES Act
 - Higher Education Emergency Relief Funds and Minority Serving Institution Funds
 - University of Alaska (UA) \$10.5 million
 - Students \$3.9 million
 - Alaska Vocational Technical Center (AVTEC)
 - \$71.4 thousand Students \$35.7 thousand

- CRRSA Act requires additional appropriation
 - Higher Education Emergency Relief II Funds and Minority Serving Institution Funds
 - UA \$22.2 million Students \$3.9 million
 - AVTEC \$252 thousand Students \$35.7 thousand
- ARP Act requires additional appropriation
 - Higher Education Emergency Relief III Funds
 - Alaska Allocation Estimate \$33.5 million 50 percent to Students
 - University and AVTEC Allocations TBD

Co-Chair Stedman asked about the timeline.

Mr. Steininger replied that there were different timelines of the money delivery from ARP based on when the federal government would provide additional guidance. He remarked that most of the money fell into a sixty-day "clock" for additional information. There will also be additional guidance for how the money could be spent which would not arrive until later in the legislative process.

Senator Hoffman wondered how the allocations would be distributed between FY 22 and FY 23.

Mr. Steininger replied that most of the ARP funds had a longer timeframe than the CARES money. He furthered that most of the money received was within the state's discretion for how the money is spent within the time period.

[9:45:40 AM](#)

Ms. Harbour discussed slide 9, "Education Relief Details":

- CARES Act \$45 million; CRRSA Act \$168 million addressed with RPLs
- ARP Act \$364.5 million requires additional appropriation
- Total \$577 million --\$504.9 million to school districts
- State Funding Maintenance of Effort (MOE)
 - Requirements changed between CARES Act and CRRSA
 - ARP is the same as CRRSA and includes FY23
 - Maintenance of Equity Requirements new to ARP FY22 and FY23

- State level Requirement cannot reduce high need/poverty school district allocations more than others and cannot reduce highest need school district allocations below their FY2019 level.
- Local level Requirement cannot reduce per pupil allocations or FTE staff for high poverty schools more than the total reduction divided by the total number of students

Co-Chair Stedman asked about "maintenance of effort."

Ms. Harbour replied that "maintenance of effort" was a requirement to maintain a certain level of funding for a program based on prior year spending. There would be a requirement to maintain the same level of spending. She explained that the state's maintenance of effort in CARES funding was actual dollars spent.

Co-Chair Stedman asked for more details, because the state had unique anomalies that differed from other states such as the Permanent Fund and University of Alaska system spending.

Mr. Steininger replied that they had a meeting with the U.S. Department of Education to discuss the Alaska-specific items that affect the maintenance of effort requirement. He stated that there were no direct answers, but there was a consideration with the drafting of their guidance. He stated the baseline in education spending calculation may or may not include the anomalies.

[9:51:39 AM](#)

Co-Chair Stedman surmised that there may be impact on the discussion regarding the Permanent Fund Dividend (PFD) expenditure depending on the rules. He wondered when Mr. Steininger would be able to advise the committee about the policy call in order to "put a finer point" on the budgetary process.

Mr. Steininger replied that the question was offered, but they were not able to give an estimate on when guidance would be given.

Senator Hoffman recalled that there was a ninety-day clock, but wondered what that timeline referred to. He also

wondered whether that timeline required both appropriation and expenditure of the funds.

Mr. Steininger replied that ninety-day clock was for making the funds available to the districts. He explained that once the money was allocated, there was ninety days to make the money available to the school districts.

Ms. Harbour explained that the districts did not need to spend that money in the ninety days, rather the money needed to be allocated to the districts before the ninety days was complete.

Senator Hoffman wondered whether the districts needed to actually have the funds, or if the "allocation" within the budgetary process would be sufficient.

Mr. Steininger replied that it would be when it was determined how much each district would receive from the \$364 million. He stated that the allocation determination would be made either through legislative process or through the department.

Senator Hoffman wondered when the ninety days would begin.

Ms. Harbour replied that she was not certain.

Senator Hoffman asked for a guess.

Ms. Harbour replied that it would be before ninety days.

[9:55:04 AM](#)

Co-Chair Stedman stressed that the budget process would continue into May. He wondered whether the allocations made by the legislature to the districts could have timing parameters.

Mr. Steininger replied that he would provide further information.

Co-Chair Bishop stressed that it was three-year funding.

Ms. Harbour addressed slide 10, "ARP Education Relief Details continued":

- ARP education relief funding includes specific purpose allocations

Mr. Steininger highlighted slide 11, "Transportation Debt Relief." He noted the different transportation administration money.

Ms. Harbour looked at slide 12, "ARP Health and Social Service Relief Details."

[10:00:19 AM](#)

Senator Olson looked at slide 11, and wondered whether there was an attempt to repair some of the airports, such as the Nome Airport.

Mr. Steininger replied that there was some allowability of the different definitions of "maintenance." He agreed to provide more information about the Nome Airport.

Senator Olson wondered whether the Department of Transportation and Public Facilities (DOT) would determine whether the funds could be expended at the Nome Airport.

Mr. Steininger replied that they would not determine the allowability, but rather would like to discuss their interpretation of the guidance.

[10:02:08 AM](#)

AT EASE

[10:02:33 AM](#)

RECONVENED

[10:02:44 AM](#)

ALEXEI PAINTER, DIRECTOR, LEGISLATIVE FINANCE DIVISION, discussed the presentation, "American Rescue Plan (ARP) Provisions for Alaska" (copy on file). He pointed to slide 2, "Outline":

- Items not requiring legislative appropriation
- Funds with significant flexibility
 - Considerations on timing and legislative direction
- Funds with limited or no flexibility

Note: Amounts in this presentation are initial estimates and may change. Forthcoming federal guidance will give further clarity on potential uses and restrictions. This is not a comprehensive list of available funds in the American Rescue Plan.

Mr. Painter looked at slide 3, "Funds Not Requiring State Appropriation":

- \$1,400 Direct Payment to Alaskans -estimated total of \$847.3 million (600,000 Alaskans)
 - Phases out starting at \$75,000/\$150,000 income for individual/household
- Estimated \$600 million direct payments to tribal governments in Alaska
- Estimated \$100 million from Child Care Development Fund to tribal governments
- Tax code changes to Child Tax Credit (expanded to \$3,000 per child ages 6-17, \$3,600 per child under 6, credit made fully refundable), Earned Income Tax Credit
- Additional funds for Paycheck Protection Program
- Direct funding to rural health providers

10:05:29 AM

Senator Hoffman remarked that there were many people in Alaska that did not fill out federal income tax forms, and wondered whether those people "fell through the cracks." He felt that those people were probably in the most need of those direct payments. He queried efforts to ensure that those individuals received the benefits.

Mr. Painter replied that there was a process for those individuals to apply for the funds, but did not know the outreach to ensure that happens.

Senator Hoffman wondered whether the state could use CARES funds to give assistance to those individuals to apply for the payments.

Ms. Painter agreed to provide that information.

Senator Olson requested that all responses be given in writing.

Co-Chair Stedman replied that all committee members would receive the responses.

Co-Chair Bishop detailed the specific payments.

Co-Chair Stedman queried the payments that would be given to a family of five.

Mr. Painter replied that a couple would receive \$2800, and a larger family would receive the additional \$1400 for the child plus the child tax credit. He explained that each child, under the age of six, would receive \$5000.

Co-Chair Stedman asked for the details of what different size families would receive.

Mr. Painter addressed slide 4, "Over \$2 Billion Allocated to State of Alaska and Local Governments."

Co-Chair Bishop surmised that the slide was speaking to the ARP funds.

Mr. Painter agreed.

Co-Chair Stedman remarked that the numbers could be reflected back to the spreadsheet.

10:10:14 AM

Mr. Painter discussed slide 5, "State Fiscal Recovery Fund":

- Estimated \$1,019,259.4 allocation for Alaska
 - Will be allocated to Alaska 60 days from when State submits a certification to Treasury
 - Secretary of the Treasury may withhold half of state allocation for 12 months based on the unemployment rate of each state
- May be used on expenses incurred through December 31, 2024
- Eligible uses of funds include:
 - `` (A) to respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19) or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted

industries such as tourism, travel, and hospitality;

-``(B) to respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of the State, territory, or Tribal government that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work;

-``(C) for the provision of government services to the extent of the reduction in revenue of such State, territory, or Tribal government due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year of the State, territory, or Tribal government prior to the emergency; or

-``(D) to make necessary investments in water, sewer, or broadband infrastructure.

•Ineligible uses of funds include:

-May not use funds to offset revenue losses caused by changes in State law or regulations

-May not deposit funds in any pension fund

Mr. Painter looked at slide 6, "Capital Projects Fund":

- Estimated total of \$112,259.3 for Alaska

- Treasury will establish a process for applying for grants within 60 days of enactment

- Available until expended -no cutoff date established in bill (but may be added in Treasury guidance)

- Can be used "to carry out critical capital projects directly enabling work, education, and health monitoring, including remote options, in response to the public health emergency with respect to the Coronavirus Disease (COVID-19)."

Senator Wielechowski looked at slide 5, and queried the state's plan to submit the certification.

Mr. Painter did not know, but agreed to provide that information.

Senator Wielechowski wondered whether the legislature could appropriate the funds without the state submitting a certification or without the funds being allocated to Alaska.

Co-Chair Stedman further asked what could be done to direct the usage of the grants.

Mr. Painter replied that the funds could be appropriated at any point, but the funds may not be received right away.

Mr. Painter discussed slide 7, "Considerations on Timing and Legislative Direction":

- Generally, guidance is expected to be issued 60 days after ARP's enactment -approximately May 10
 - That is Day 112 of the legislative session
 - CARES Act guidance changed repeatedly after it was initially released
- The bill itself provides limited direction for what expenditures may be eligible
- There is a tradeoff in offering the administration flexibility
 - The more narrowly the legislature appropriates the funds, the more difficult it will be to make those appropriations quickly and the more likely it is that a special session is necessary if guidance changes
 - Providing flexibility to the executive branch delegates decision-making to the Governor, reducing legislative involvement
- The legislature could take many directions with these funds. Goals could include:
 - Helping the economy (individuals, businesses, non-profits) in the short term
 - Investing in long-term items (water and sewer projects, economic development, etc.)
 - Maintaining State budget reserve levels

10:17:00 AM

Co-Chair Stedman felt that it was important to address the appropriating power issue.

Mr. Painter highlighted slide 8, "Local Fiscal Recovery Funds":

- Estimated total of \$230,740.6 for Alaska
- \$45,344.9 of these funds that are allocated to Anchorage will flow directly without State pass-through

- It appears Alaska will have to appropriate remaining \$185,395.7 for other local governments
 - This includes an additional \$55,855.8 for Anchorage
- Similar limitations and uses as State Fiscal Relief Fund
- Allocation is a federal formula based primarily on population -this will result in a different allocation than the State's formula that was used for CARES funds

Mr. Painter addressed slide 9, "Items with Limited Flexibility -Department of Health and Social Services":

- CDC Funding for COVID-19 Testing (\$22.0 million) and Vaccination Activities (\$7.5b total, Alaska share unknown)
- Health Workforce Funding (\$7.7b total, Alaska share unknown)
- Community Health Centers Funding (\$7.6b total, Alaska share unknown)
- Mental Health Block Grant (\$3.0 million) and Substance Abuse Block Grant (\$4.7 million)
- Family Violence and Child Abuse State Grants (\$291 thousand)
- Low-Income Water Utility Bill Assistance Funding (\$500m total, Alaska share unknown)
- Low-Income Home Energy Assistance Program (LIHEAP) Funding (\$23.7 million)
- Child Care Development Fund (\$28.4 million) and Child Care Stabilization Grants (\$45.5 million) -must supplement and not supplant existing funds
- Pandemic Emergency Assistance to provide short-term TANF benefits (\$3.3 million) -must supplement and not supplant existing funds
- 85 percent Federal Medical Assistance Percentage (FMAP) for first three years that a state covers mobile crisis intervention services for mental health or substance abuse disorders

Mr. Painter pointed to slide 10, "Items with Limited Flexibility -Education":

- \$358.7 million for K-12 schools through Elementary and Secondary School Emergency Relief (ESSER)
 - 90 percent (\$322.8 million) must go to school districts

-At least 5 percent (\$17.9 million) must go to address learning loss, 1 percent (\$3.6 million) for summer enrichment, 1 percent (\$3.6 million) for afterschool programs, 2.5 percent (\$9.0 million) for other state activities, and a maximum of 0.5 percent (\$1.8 million) for State administration

- \$5.8 million in emergency assistance to non-public schools
- \$33.8 million in Higher Education Emergency Relief Funds (90 percent of this is for the University of Alaska) equally split between student aid and institutions
- Institute of Museum and Library Services Funds (\$2.2 million)
- National Endowment for the Arts Funds (\$1.6 million) to Alaska Council on the Arts
- Head Start (may go directly to providers) (\$1.6 million)

Senator Olson wondered whether the non-public schools included private schools.

Mr. Painter replied in the affirmative.

10:21:28 AM

Mr. Painter pointed to slide 11, "Items with Limited Flexibility -Education Continued":

- ESSER funding is subject to a maintenance of effort (MOE) provision
 - Different test than applied to CARES ESSER funds (which Alaska passed), same as CRSSA funds (not yet submitted)
 - K-12 aid is tied to both K-12 MOE and University of Alaska MOE
 - Tied to proportion of State's overall budget spent on K-12 and University of Alaska in FY22 and FY23 compared to the average of FY17-19
 - Unclear at this point what must be counted, but Alaska may have trouble meeting the UA test based on the compact reduction in funding
- There is a waiver process for states that have experienced financial distress, but the process and timing of that waiver has not yet been established

- Unclear what the consequence of failing the MOE test would be

Senator Wilson wondered how it would relate to the carry-over of the fund balance.

Mr. Painter replied that the provision would most likely apply to the amount the state appropriates to the fund.

Senator Hoffman recalled that the legislature had funded approximately \$20 million more than the compact, but the governor vetoed that amount. He wondered whether there were additional dollars that potentially breached the compact, whether there would be an allowance to determine that the compact was no longer necessary.

Mr. Painter looked at slide 12, "Items with Limited Flexibility -Other Agencies":

- FTA Transit Infrastructure Grants
 - \$11.5 million for Anchorage (may not require appropriation)
 - \$3.8 million for Fairbanks
 - \$2.7 million for rural areas
- COVID-19 Federal Emergency Rental Assistance Program (AHFC) (\$102 million)
- Mortgage Assistance funding (AHFC) (\$50 million)
- Emergency Management Performance Grants to Department of Military and Veterans Affairs (\$0.9 million)
- Federally-funded unemployment compensation
 - Adds \$300 weekly supplemental payment through September 6, 2021
 - First \$10,200 of unemployment benefits will be nontaxable income for households with an adjusted gross income of up to \$150,000
 - Self-employed and contractors are eligible for the expanded payment

[10:26:27 AM](#)

Senator Wilson wondered whether the Matsu received any funding.

Mr. Painter replied that the Matsu did not receive specified funding.

Co-Chair Bishop asked whether the last bullet referred to the gig economy employers.

Mr. Painter replied in the affirmative.

Senator Olson wondered whether there was money allowed in the FTA to go for the Alaska Marine Highway System (AMHS).

Mr. Painter replied in the affirmative, but agreed to verify.

Senator Olson wondered how flexible the formula based on population was for the smaller communities to capitalize on the appropriation.

Mr. Painter replied that the \$230 million was not flexible, however the \$1 billion allowed for the ability to transfer to other governments.

Senator Olson surmised that it would be outside the federal formula.

Mr. Painter agreed.

Co-Chair Stedman discussed the following day's agenda.

#

ADJOURNMENT

The meeting was adjourned at 10:28 a.m.